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STATEMENT OF DENNIS K. HAYS

PRESIDENT, AMERICAN FOREIGN SERVICE ASSOCIATION

BEFORE THE

POST OFFICE AND CIVIL SERVICE COMMITTEE

U.S. HOUSE OF REPRESENTATIVES

April 25, 1985

Good morning Mr. Chairman. My name is Dennis Hays and I am the President of the American Foreign Service Association. Accompanying me today is William Ackerman, an officer of the Agency for International Development and the Chairman of our Legislative Committee.

Mr. Chairman, the origins of today's Foreign Service personnel system, including the provisions controlling retirement, date back to 1924 when the Congress took into account the unique characteristics and demands of a Foreign Service career and enacted legislation creating a modern Foreign Service separate and distinct from all other federal employee groups.

The Congress took this action in recognition of the fact that to fulfill its mission, the Foreign Service must operate under its own regulations controlling recruitment, training and promotion as well

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as having special guidelines for voluntary and involuntary retirement. These regulations have been updated periodically over the past sixty years but the fundamental distinctions between the Civil and Foreign Services have been reaffirmed time and again, most recently in the Foreign Service Act of 1980.

Mr. Chairman, the Foreign Service is a demanding, often dangerous career and the Foreign Service retirement system has been specifically designed to take this into account. We are here today to ask that our newest colleagues, those hired after January 1, 1984, receive for their service and their sacrifice consideration equal to that given to those of us vested in the old system. We justify this request by pointing our that no matter when hired, the Foreign Service employee and his or her family confront numerous occupational hazards that most civilian employees are not subject to, including higher incidents of medical problems and the ever present threat of terrorism. After age 50, more than half of our Foreign Service personnel are unavailable for worldwide duty because either the employee or a family member does not qualify for medical clearance. Very often this unavailability is directly linked to service in unhealthful areas compounded by inadequate or non-existant medical care. With respect to terrorism, in the past three years, twenty-seven Americans assigned to Foreign Service posts have been killed by terrorists. Next week we will hold our annual memorial ceremony where we will honor seven more of our colleagues who were cut down in their prime. Those of us in the Service are well aware and most appreciative of the work of

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this committee and the full Congress in providing increased and supplemental appropriations for security and anti-terrorism measures. However, for the forseeable future, to be in the American diplomatic service is to be a target of international terrorists.

An additional aspect of Foreign Service life which is unique is the impact upon family members resulting from uprooting and moving every two or three years to a new country, with a new cultural environment, new schools, new friends, and often a new language. Foreign Service spouses have practically no opportunity of developing a vocational career on their own, while many children of Foreign Service parents pay a higher-than-average emotional price for the transient living requirements of their parents' career.

Finally, as you are aware, Mr. Chairman, the Foreign Service structure is a pyramidal one. There are specified limits as to the length of time a member of the Service can remain in a particular rank. Unless promoted to the next higher rank within that time, he or she is obliged to leave the service. This by no means implies that those who leave for "time-in-class," as it is called, have failed to perform well. It simply means that, measured against the diminishing numerical requirements of higher Foreign Service ranks, the Service is obliged to cut back its numbers and retain on its rolls only "the best of the best."

For all of the above reasons, we respectfully urge that the

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Committee support the retention of the present provision of law which permits Foreign Service employees to retire without penalty after attaining age 50 with 20 years of creditible service.

Further, while we are fully aware of the fact that the extension of Social Security coverage to federal employees necessitates a new approach to financing retirement costs, we ask that the new system makes provision for the replacement of the same percentage of pre-retirement income, calculated in terms of length-of-service, age, and salary history, as does the pre-1984 retirement system.

Beyond this, government employees should have the same protection against arbitrary reductions in benefits as employees in private industry. This should take the form of contractual rights.

We also believe that any funds on deposit from employee contributions should accrue interest at competitive, long-term rates.

Additionally any new retirement system must have provisions allowing for portability. At the present time, an employee voluntarily leaving the Foreign Service must either withdraw his contributions or leave them on deposit and not draw an annuity until age 62. There are no adjustments between the dates of separation and the beginning of the annuity payment. The result is that it is a financial disaster for employees to leave.

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And finally, we wish to make one important point. Since a Foreign Service retiree, under present age and service eligibility requirements, would not be eligible for Social Security payments until age 62, we believe it necessary that provision be made for an interim retirement payment until the individual attains age 62. Under present law, any Foreign Service employee retiring at age 50 with 20 years' creditible service is entitled to receive a retirement benefit approximating 40 percent of his/her pre-retirement income. It is important that the same condition apply under the new system, through a combination of payments under a retirement formula annuity and a payment in lieu of Social Security until age 62.

This Congress may also wish to explore other approaches to compensate Foreign Service personnel and their families for dedicated, professional service overseas. These avenues may include:

- a modification of civil service rules so that GS employees who happen to be spouses of Foreign Service employees do not lose everything when they move with their families overseas.

- adoption of a modification of the military retirement system of twenty years for the Foreign Service.

- a modification of the tax codes to give the same treatment to the public servant working overseas as is now given to private sector Americans employed overseas.

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- a modification of the benefit accrual rate from 2 percent to 2.5 percent to bring the Foreign Service in line with many other federal employees involved in hazardous occupations.

The members of the American Foreign Service Association are most willing to assist committee staff members in reviewing alternatives. We would like to explore in depth with your staff the four options suggested by the U.S. General Accounting Office in their report, B-217196 of January 7, 1985.

Mr. Chairman, in your letter of March 19, 1985, you asked our opinion of raising the mandatory retirement above 65. We believe mandatory retirement is desirable in the Foreign Service for the following reasons -- medical problems of the employee or family members at older ages reduce assignability to overseas embassies, and the "up or out" personnel system is based upon the need for periodic and predictable retirement of Foreign Service employees.

In conclusion, we must all recognize that we must have an adequate pay and benefit structure if we are to attract and retain the quality of Foreign Service employees that the American public deserves. Reductions in retirement benefits, downward adjustments in allowances, and pay freezes have been the pattern during the past six years. Salaries for Civil Service and Foreign Service employees have

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fallen further and further behind the private sector. This can not be the pattern for the last half of the 1980's or the future quality of the employee will follow the same pattern.

Thank you, I would be pleased to answer any questions you may have.

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